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design does matter

Teknion

TEKNION / ANNUAL REPORT / 2001

At Teknion, we believe design does matter

Design matters because design *works.* Good design motivates and inspires people; it creates better understanding; it allows people to communicate and work more effectively. Good design adds value.

At Teknion we strive to capture all these benefits and more in the designs we create for the office environment. Our sales growth over the past 15 years and the many design awards and accolades we have received attest to our accomplishments.

Great design helps to drive our clients' achievements and it has been a cornerstone of Teknion's success.

TEKNION IS A LEADING INTERNATIONAL DESIGNER, MANUFACTURER AND MARKETER OF MID- TO HIGH-END SYSTEMS AND RELATED PRODUCTS FOR THE CONTRACT SEGMENT OF THE OFFICE FURNITURE INDUSTRY. WE ARE THE MARKET SHARE LEADER IN CANADA AND AMONG THE FASTEST GROWING MAJOR OFFICE FURNITURE COMPANIES IN THE UNITED STATES, WITH AN EXPANDING PRESENCE OVERSEAS.

It's in everything we do.

TEKNION CORPORATION FINANCIAL HIGHLIGHTS

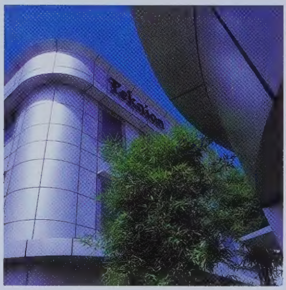
November 30 ($000 except per share amounts)	2001	2000	1999	1998
STATEMENT OF EARNINGS DATA				
Sales	770,881	917,005	629,266	483,695
Earnings from operations	53,800	152,263	96,714	80,860
Net earnings	35,829	93,960	61,208	56,015
Earnings per share (basic)	$0.56	$1.47	$0.97	$0.89*

November 30 ($000)	2001	2000	1999	1998
BALANCE SHEET DATA				
Total assets	512,940	495,532	331,631	204,952
Long-term debt	31,596	18,125	18,593	657
Shareholders' equity	322,780	284,904	191,668	115,351

**Earnings per share in 1998 have been calculated using the weighted average number of shares outstanding had the initial public offering of July 14, 1998 occurred at the beginning of the 1998 fiscal year.*

Highlights – 2001

The first year of the new millennium was marked by a number of exciting milestones for Teknion, including several product launches, industry accolades for design, and recognition of our continued success.



EXPANDING TEKNION'S INTERNATIONAL PRESENCE

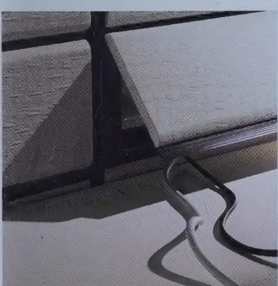
As part of its announced plans to significantly increase total production capacity, more than 700,000 square feet were added to Teknion's manufacturing, showroom and office space in 2001, significantly enhancing the Company's ability to meet the needs of its customers. Included in this expansion was the opening of the Company's new U.S. corporate office, showroom, marketing and design center in Mount Laurel, New Jersey. In addition, a major increase in the size and scope of Teknion's Malaysian operations generated strong sales growth in 2001 and enhanced the Company's presence in Asia and the Pacific Rim.

AN UNPRECEDENTED NUMBER OF NEW PRODUCTS

Teknion launched more new products in 2001 than in any other year in the Company's history. In June 2001, the Company unveiled xm™, its newest office furniture collection, combining classic and elegant design with the maximum integration of workplace technologies. xm was recognized with the Best of Show award at NeoCon, North America's largest commercial interior design exposition, and with another award at IIDEX/NeoCon Canada. Other new products included Ledger™, a standalone, modular storage and filing system, the innovative Outpost™ power column, Routes™ access floor, Volo™ ambient light, and Expansion™ Conferencing, a new mobile conferencing furniture line.

CANADIAN EXPORTER OF THE YEAR

On September 24, Teknion was named Canada's 2001 Exporter of the Year at a gala ceremony organized by the Canadian Manufacturers & Exporters association. Presented by International Trade Minister Pierre Pettigrew, the prestigious award honored the Company's success in international markets and its contribution to the Canadian economy. The award was based on Teknion's significant track record in growing export sales and its achievements in introducing new products to worldwide markets. Teknion is extremely proud to be recognized for bringing Canadian designs and products to the world.

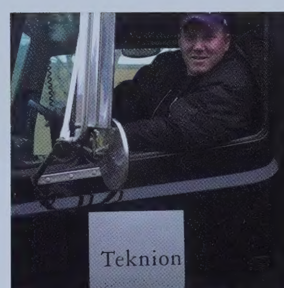


FOCUSED TECHNOLOGY INVESTMENTS

During 2001, Teknion continued to invest in production and design technologies aimed at enhancing the Company's strong competitive position. New methods in flexible production technologies enable the Company to remain agile and adaptable, key advantages in today's fast-moving contract furniture marketplace. New customer service models were developed and adopted that enhance communications and quality through all aspects of the design, production and fulfillment cycle. Innovative Customer Relationship Management (CRM) initiatives and Order Processing systems were also implemented to ensure orders are processed efficiently and quickly while building strong and enduring customer relationships.

TEKNION SHOWCASED AT MOMA

In January 2001, two of Teknion's Advanced Concepts designs were selected by the Museum of Modern Art in New York to be featured in MoMA's *Workspheres* exhibit. *Workspheres* examined the changing nature of the workplace and the role that strong design plays in creating effective solutions to accommodate these changes. Teknion's Advanced Concepts Program identifies trends in all aspects of life and translates these forces into new ideas for office furniture and working environments. As a testament to Teknion's passion for and commitment to design, MoMA has retained the Company's Spandrobe personal storage unit as a part of its permanent Design Collection.



INVESTING IN CUSTOMER SERVICE

Teknion takes great pride in its superior levels of customer service, a strong focus that differentiates the Company from its competition. In 2001, new systems were put in place that improved response times and accuracy for order entry and fulfillment. Lead times have been substantially reduced and are consistent throughout the year, allowing customers to plan new installations with confidence that their new office furniture will be delivered when and how they want it. Teknion's ongoing initiatives to build long-standing customer relationships resulted in significant repeat business.

TO OUR FELLOW SHAREHOLDERS

Teknion's impressive track record of growth and financial performance is a testament to our ability and success in executing focused strategies designed to build value for our shareholders over the long term. While the economic downturn did impact our results in 2001, we are confident that our ongoing commitment to providing innovative products designed to meet our customers' specific needs will return the Company to industry-leading growth rates as business conditions improve.

SIGNIFICANT PROGRESS IN A CHALLENGING YEAR

The worldwide office furniture business faced significant challenges last year as most markets experienced an economic downturn. The Business and Institutional Furniture Manufacturer's Association (BIFMA) reported that downsizing and reduced levels of capital investment resulted in U.S. office furniture industry shipments declining over 17% in 2001.

Our financial results were not immune to these factors as consolidated sales fell 15.9% in fiscal 2001 compared to our record performance in 2000. However, ongoing initiatives to reduce costs and improve productivity resulted in the Company generating positive cash from operations and remaining significantly profitable for the year, both important achievements. Our balance sheet also remained strong, providing Teknion with the financial resources and flexibility to manage through this economic downturn while positioning us for renewed prosperity as economic conditions improve.

We were also extremely proud to have been chosen as Canada's Exporter of the Year in 2001, honoring Teknion's success in taking our strong design and innovative products around the world.

POSITIONED FOR GROWTH

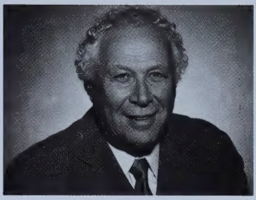
Prior to this current economic downturn, Teknion had successfully capitalized on strong business fundamentals to generate compound annual growth in sales of 30%, far above the overall industry rate of 3%. During this period we invested significantly in our facilities and people to ensure we had the capacity and the tools to manage future growth while providing our customers with superior levels of support and service.

Over the past year numerous initiatives have been undertaken to enhance the returns generated on these investments, initiatives that will help us to navigate this economic downturn and strengthen our competitive position.

We have prudently reduced our cost structures in light of current business conditions, yet at the same time we have not impaired our ability to service customers or to capitalize on future growth opportunities. We also undertook a number of initiatives to improve operational performance, enhance quality and continue to upgrade our product development process.

An important factor in Teknion's growth is our ongoing ability to launch innovative products that meet the needs of our customers, and in 2001 we introduced more new designs than at any other time in the Company's history. In June we unveiled xm, our newest office furniture collection, which combines classic and elegant design with the maximum integration of workplace technologies. xm was recognized with the Best of Show award at NeoCon in Chicago, North America's largest commercial interior design exposition, and another award at IIDEX/NeoCon Canada in September. Other product introductions include Ledger, a standalone, modular storage and filing system, the innovative Outpost power column and Routes access floor, used to manage the distribution of power, data and communications services discreetly and efficiently, Volo ambient light, and Expansion Conferencing, a mobile furniture line designed for learning and training environments.

We continued a long tradition during 2001 of investing in our future. Over $98 million was directed to a planned expansion of Teknion's facilities and technology capabilities. The introduction of our Teknion Resource and Asset Center (TRAC), the Teknion Order Processing System (TOPS), electronic price and product guides, in addition to numerous web-based dealer relationship and end-user marketing programs, will significantly enhance our productivity and performance. At Teknion, we recognize that intellectual capital is one of our most important assets, and we will continue to invest in our people and their careers to help them better serve our customers.



STRATEGIES TO DELIVER VALUE

Looking ahead, our key objective at Teknion remains the same – to build long-term value for our shareholders by becoming a world leader in our business. Teknion's carefully developed and executed strategies have generated industry-leading growth in the past, and will continue to drive our progress going forward.

In order to maintain our competitive edge, we will continue to expand the depth and breadth of our product lines. By listening to our customers, keeping close ties to the Architecture and Design community, and remaining at the forefront of office and workplace trends, Teknion intends to grow its brand as an innovator.

Continued investments in our facilities and people will help ensure we can meet the needs of our customers today and into the future. While the current economic environment has curtailed many of our investment programs, we will prudently spend in areas where we can realize a good return.

Finally, strategic and complementary acquisitions have been an important component of our growth in the past, and we will evaluate potential opportunities to expand our product or geographic presence when and where it is appropriate.

A STRONG FUTURE

We remain confident that our focused strategies, combined with the significant competitive strengths we have developed over the past number of years, will position us for renewed prosperity as economic conditions improve.

The United States remains Teknion's largest opportunity, and to support our industry-leading growth in this market we opened a new U.S. corporate headquarters, showroom, design and marketing center that positions us closer to our customers and better facilitates our ability to serve their needs. In addition, ongoing investments in new regional showrooms, dealers and experienced staff will help us to capitalize on this significant potential.

Opportunities for strong growth also exist in our international markets. Our performance in Asia and the Pacific Rim over the past few years has proven our ability to successfully enter and increase our presence in new geographic regions. To support our growth in these markets we recently expanded our Malaysian operations. We have also revitalized our commitment to Europe and the U.K., extending both our dealer and corporate presence while designing and adapting products to meet the specific needs of these unique and high-growth markets.

Finally, Teknion remains the largest participant in the Canadian contract office furniture marketplace. We generated record Canadian sales in 2001, a tribute to our strong dealer network and long-standing customer relationships. Going forward we will continue to build on this leading position to generate further growth.

While the worldwide contract office furniture market experienced an unprecedented decline in 2001, our customer base remains strong, and we won a number of new, blue-chip accounts during the year. These factors bode well for a return to growth and increased profitability as market conditions improve.

We want to thank everyone at Teknion for their hard work and commitment over the past year. Teknion has thrived on change and meeting challenges since its inception, clearly demonstrating an ability to adapt effectively and respond quickly to changing market and economic conditions. We are confident that our competitive strengths and focused strategies will help us to navigate through these challenging times, and to transform our significant market opportunities into enhanced value going forward.

Sincerely,

DAVID FELDBERG
President and Chief Executive Officer

SAUL FELDBERG
Chairman of the Board

DETAIL – ADVOCATE™ CHAIR

TODAY, THERE IS A GROWING AWARENESS OF THE ROLE OF DESIGN IN BUSINESS. THERE IS ALSO A GREATER UNDERSTANDING THAT DESIGN-DRIVEN FIRMS CONSISTENTLY OUTPERFORM AND HAVE A STRONGER BOTTOM LINE.

Design-driven firms outperform

DESIGN IS A VITAL ELEMENT IN THE PRESENTATION AND PRODUCTION OF EVERYTHING AROUND US. Good design is about form and function. It motivates employees and consumers and can be an important part of a business strategy, resulting in higher prices for products and services.

Companies that understand the value of good design tend to outperform their peers. A study completed in the mid-1990s by the Design Innovation Group determined that design conscious firms in the plastics industry performed significantly better over a seven-year period than their non-design conscious counterparts. They enjoyed greater revenue growth (43% versus 15% annually), greater return on capital (11% versus 8%) and higher profit margins (7% versus 6%). Similarly, design leaders in the furniture, heating and electronics businesses were seen to enjoy the same advantages.

By creating inviting office environments that support growing and changing technology needs, Teknion helps companies attract and retain the best talent, improve information flow, use technology and space more efficiently, and stimulate teamwork and creativity. The result is more comfortable workplaces that facilitate creativity and improve productivity.

Teknion clients include some of the best performing and most successful organizations in the world, companies where design is an intrinsic element in their success. Their appreciation for design that works is one of the key reasons these successful companies have chosen Teknion.

DETAIL – XM CREDENZA

IN TODAY'S FAST-PACED ECONOMY, RETOOLING FOR SUCCESS
IS A CONTINUOUS PROCESS. TODAY'S CORPORATION NEEDS FURNITURE DESIGNED
TO BE ADJUSTABLE, ADAPTABLE AND EXPANDABLE.

Great design enables change

NEW TECHNOLOGIES HAVE CHANGED THE WAY BUSINESSES OPERATE AND COMPETE. Organizations need to be far more fluid in the face of rapidly changing environments. The nature of work is also changing. People work not only in the office, they work at home, in the car and when they travel. Many regularly work from more than one location.

And it's not just a technological or physical phenomenon, but a cultural one, too, as evolving societal values and corporate cultures change the ways in which people prefer to work and communicate with each other.

With companies growing, downsizing, merging, moving and taking on new partners at a faster pace than ever before, office environments need to be designed for redesign.

Teknion designs products that anticipate future requirements and offer the ability to remain valuable with the evolution of the corporate environment and culture. We create furniture that can be easily reconfigured to accommodate changes in companies, technology or personal preferences. Teknion is a partner in its clients' growth, helping to create environments for their success, with built-in adaptability to ease their transitions as organizations. Teknion products are also designed as safe, solid investments, so clients can experiment with new office concepts at low risk.

Our new xm office furniture collection is the perfect example of designing the right business tools for whatever's next. xm combines fresh, upscale design with the individuality, feel and familiarity of home furnishings. It is a hybrid between panel systems and freestanding furniture, allowing individuals greater flexibility to customize their own space, while integrating technology seamlessly into the workplace – an elegant response to today's workstyle trends.

DETAIL – LEDGER LATERAL FILES

TEKNION'S FOCUS ON DESIGN
HAS RESULTED IN EXTRAORDINARY GROWTH, ATTRACTING CUSTOMERS
THAT ARE INDUSTRY LEADERS.

Design drives Teknion's growth

UNDERSTANDING DESIGN, BOTH IN FUNCTION AND FORM, HAS BEEN CENTRAL TO TEKNION'S SUCCESS and is at the core of its powerful brand. Great design has allowed Teknion to take on the major players in the furniture industry and successfully compete with them – anywhere in the world.

Design trends can be short-lived and costly. Teknion's approach is different – we identify important and enduring market developments early on, then leverage our extensive design and manufacturing capabilities to introduce new products faster than our competitors. We pride ourselves on being agile, responsive, innovative – doing whatever it takes to satisfy our customers.

Early on, too, we learned the importance of building strong relationships with the Architecture and Design (A&D) community. We directed our efforts toward the A&D community because of its very influential role in client purchasing decisions.

As part of Teknion's commitment to design innovation, the Advanced Concepts Program was established in 1998 to explore trends in all aspects of life – work, demographics, technology, fashion, architecture and pop culture – and translate them into new ideas for office furniture systems and working environments. The result has been several design awards over the past few years and outstanding design visibility within the industry.

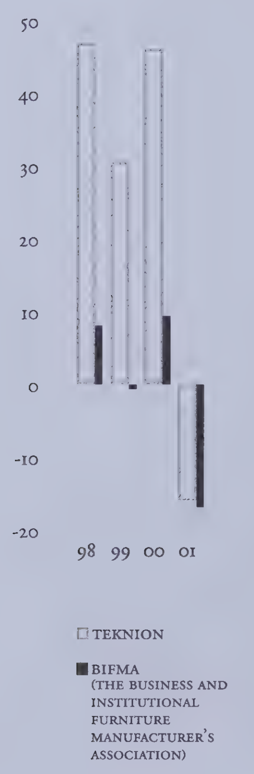
Teknion is synonymous with classic design and continuous innovation, and has been recognized with over 50 industry awards in the last few years. Teknion furniture was also included in the Design of the Decade retrospective compiled by Business Week magazine and the Industrial Designers Society of America.

At Teknion, we believe that design success is intrinsic to commercial success. That's why we have created a strong design culture and why we continue to be an industry leader in imagination and innovation.

Profitability, good cash flow and a strong balance sheet stand out as worthy accomplishments in a challenging year.

Teknion

(ANNUAL PERCENTAGE CHANGE)



THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS of the financial condition and results of operations for Teknion Corporation ("Teknion" or the "Company") for the years ended November 30, 2001 and 2000 should be read in conjunction with the Company's consolidated financial statements and the notes to those statements included in the 2001 Annual Report.

OVERVIEW

Teknion is an international designer, manufacturer and marketer of office systems and related office furniture products. Since commencing business in 1981, the Company has grown from one 30,000-square-foot manufacturing facility in Toronto to approximately 3 million square feet of vertically integrated manufacturing space, sales and marketing operations and showrooms located in major markets around the world. From its inception with a single office system product, the Company has grown and expanded into all major office furniture product categories, including companion product lines such as seating, storage, filing and tables. The Company's primary product offering remains office systems, which accounted for the majority of the Company's sales in fiscal 2001. The Company's products are sold through authorized dealers around the world.

Teknion continues to expand both the depth and breadth of its product lines, and during fiscal 2001 the Company introduced more new products than in any other year in its history. In June 2001, the Company unveiled xm, its newest office furniture collection, which combines classic and elegant design with the maximum integration of workplace technologies. The xm product line was recognized with the Best of Show award at NeoCon, North America's largest commercial interior design exposition, and another award at IIDEX/NeoCon Canada. Also included in the new product offerings were Ledger, a standalone, modular storage and filing system, the innovative Outpost power column and Routes access floor to manage the distribution of power, data and communications services discreetly and efficiently, Volo ambient light, and Expansion Conferencing, a new mobile conferencing furniture line designed for learning and training environments.

Teknion was also presented with the prestigious Exporter of the Year award in September 2001 by Canada's Department of International Trade and Commerce, honoring the Company's success in taking its strong design and innovative products around the world.

The period from 1994 through the first half of fiscal 2001 was a time of unprecedented growth for the Company. Over this period, Teknion consistently outperformed the overall contract office furniture industry as measured by The Business and Institutional Furniture Manufacturer's Association (BIFMA). Teknion attributes its superior track record of growth over this period to its ability to introduce new and innovative products, expand into new geographic markets and increase market share.

In the first half of fiscal 2001, Teknion continued its strong pattern of growth and financial performance. However, through the last half of fiscal 2001, the Company's sales and profitability were significantly impacted by the rapid slowdown in the worldwide economy, particularly in the United States, where 60.5% of the Company's sales occurred in fiscal 2001, down from 69.5% in fiscal 2000. As a result of the lower consolidated sales in fiscal 2001 caused by the rapidly slowing economy, profitability declined significantly.

TEKNION HAS CONSISTENTLY OUTPERFORMED THE OVERALL CONTRACT OFFICE FURNITURE INDUSTRY

Toward the end of the second quarter, and continuing through the balance of fiscal 2001, management initiated a number of cost reduction and production efficiency programs that it believes will position the Company for continued growth and enhanced profitability as economic conditions improve. Management prudently reduced its cost structures and staff levels while remaining cautious not to impair the Company's continuing ability to service its customers or to capitalize on future growth opportunities. Initiatives were also undertaken to enhance the Company's product development processes and information technology systems.

RESULTS OF OPERATIONS

Annual

Years ended November 30, ($000 except per share amounts)	2001	2000	1999
Sales	770,881	917,005	629,266
Gross margin	311,276	393,355	261,189
Gross margin (% of sales)	40.4%	42.9%	41.5%
Expenses	260,655	243,819	167,082
Net earnings	35,829	93,960	61,208
Earnings per share (basic)	$0.56	$1.47	$0.97
Earnings per share (fully diluted)	$0.53	[illegible]	[illegible]

Quarterly

Fiscal 2001 ($000 except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	236,853	211,843	157,774	164,411	770,881
Gross margin	102,183	87,168	58,232	63,693	311,276
Gross margin (% of sales)	43.1%	41.1%	36.9%	38.7%	40.4%
Expenses	67,449	71,367	59,204	62,635	260,655
Net earnings	22,292	11,351	663	1,523	35,829
Earnings per share (basic)	$0.35	$0.18	$0.01	$0.02	$0.56
Earnings per share (fully diluted)	$0.33	$0.17	$0.01	$0.02	$0.53

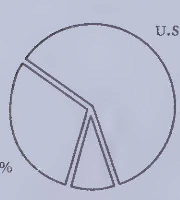
TEKNION'S CANADIAN OPERATIONS GENERATED RECORD SALES IN 2001

mounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	170,840	230,000	242,673	273,492	917,005
Gross margin	68,212	99,112	102,421	123,610	393,355
Gross margin (% of sales)	39.9%	43.1%	42.2%	45.2%	42.9%
Expenses	46,955	60,232	60,427	76,205	243,819
Net earnings	14,044	23,718	25,743	30,455	93,960
Earnings per share (basic)	$0.22	$0.37	$0.41	$0.47	$1.47
Earnings per share (fully diluted)	$0.21	$0.36	$0.39	$0.45	$1.41

Sales

Teknion reported consolidated sales of $770.9 million for the year ended November 30, 2001, a decline of 15.9% compared to consolidated sales in the prior year. While sales in the first quarter ended February 28, 2001 produced another consecutive year-over-year quarterly sales record for the Company, Teknion experienced declining orders toward the end of the second quarter and through the last half of fiscal 2001 due to the rapidly slowing worldwide economy, particularly in the Company's U.S. markets. Sales in fiscal 2000 rose 45.7% to $917 million from $629 million in fiscal 1999 as the Company capitalized on strong markets, particularly in the United States.

(PERCENTAGE)



No major acquisitions were made in fiscal 2001 or fiscal 2000. Teknion purchased 100% of the shares of Halcon Corporation in January 1999 and 100% of the shares of Roy & Breton Inc. in May 1999. Acquisitions represented only 3.7% of the sales growth in fiscal 2000 over fiscal 1999.

Sales by Geographic Region

Teknion's sales, represented by geographic region, are set forth below.

Years ended November 30, ($000)	2001	%	2000	%	1999	%
Canada	236,861	30.7	203,591	22.2	185,362	29.5
United States	466,484	60.5	636,924	69.5	387,492	61.6
International	67,536	8.8	76,490	8.3	56,412	8.9
Total	770,881	100	917,005	100	629,266	100

Despite the economic slowdown in North America, Teknion's Canadian sales rose 16.3% to a record $236.9 million in fiscal 2001 compared to $203.6 million in the prior year. This increase followed a 9.8% sales increase in fiscal 2000 over fiscal 1999. The Company is the largest participant in the Canadian contract office furniture industry, and this superior competitive position and the Company's strong product offering resulted in increased sales over the past two years as the Company built upon its strong relationships with its dealers and customers.

Sales in the United States declined by 26.8% to $466.5 million in fiscal 2001 from $636.9 million in fiscal 2000, the result of the slowing economy. During the year, the Company undertook a number of sales and marketing initiatives to broaden its customer base into new market segments, including government agencies as well as educational and financial institutions. Management believes its largest opportunity for growth remains in the United States, where currently Teknion has approximately a 3% share of the estimated $11 billion U.S. contract office furniture market. Accordingly, Teknion continued to invest in the U.S. market in fiscal 2001, opening two new showrooms in Dallas and Washington, D.C. In addition, in May 2001, the Company opened its new U.S. corporate headquarters, showroom, marketing and design center in Mount Laurel, New Jersey. U.S. sales in fiscal 2000 rose by 64.4% over fiscal 1999 as the Company benefited from the significant efforts and resources expended over the prior five years to expand its presence in this market.

(IN MILLIONS OF DOLLARS)

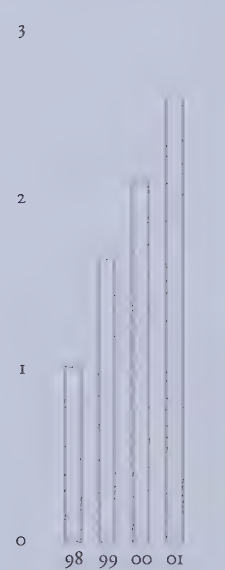
Sales to international markets, which include Europe, South America, the Middle East and the Pacific Rim, were also negatively impacted by the slowing world-wide economy, declining 11.7% in fiscal 2001 to $67.5 million from $76.5 million in the prior year. However, sales in Malaysia rose 52.6% in fiscal 2001 compared to the prior year as the Company opened an additional manufacturing facility in the region in January 2001. International sales in fiscal 2000 rose by 35.6% compared to fiscal 1999 due primarily to successful efforts to expand the Company's presence in Asia.

Looking ahead, management remains confident that its focused strategies, proven sales and marketing initiatives, and innovative products will generate sales growth when economic conditions improve. However, the outlook for fiscal 2002 is not expected to improve from fiscal 2001, as BIFMA forecasts that the U.S. office furniture market will shrink by approximately 13% in 2002.

Gross Margins

Consolidated gross margin as a percentage of sales declined in fiscal 2001 to 40.4% compared to 42.9% in fiscal 2000. This reduction was due primarily to the significant decline in sales and higher fixed manufacturing overheads resulting from the expansion of the Company's manufacturing capacity initiated in fiscal 2000. Gross margin as a percentage of sales in fiscal 1999 was 41.5%. Through the second half of fiscal 2001, the Company undertook a number of initiatives to reduce costs, rationalize facilities and realize production efficiencies. Management is confident that these initiatives will position the Company for enhanced gross margin when economic conditions improve.

(IN MILLIONS OF SQ. FT.)



Operating Expenses

Selling, general and administrative ("SG&A") expenses for fiscal 2001 increased compared to the prior year as the Company increased its sales and marketing infrastructure to capitalize on strong market growth in fiscal 2000 and through the first half of fiscal 2001. The higher operating expenses in fiscal 2000 compared with fiscal 1999 reflect additional sales and marketing resources, primarily in the Company's U.S. operations. However, through the second half of fiscal 2001 the Company reduced expenses in light of business conditions experienced during the year. Due to the significant reduction in sales in fiscal 2001, SG&A expenses as a percentage of sales rose to 30.3% in fiscal 2001 from 24.2% in fiscal 2000 and 24.1% in fiscal 1999.

For fiscal 2002, management expects a decrease in SG&A expenses compared to fiscal 2001. The Company will continue to diligently control its costs in what is expected to be a continuing difficult business environment over the near-term.

Other Expenses

Depreciation and amortization rose in fiscal 2001 to $24.1 million from $19.4 million in fiscal 2000 and from $13.0 million in fiscal 1999 due primarily to the Company's planned capital investment and expansion programs instituted in fiscal 2000. Approximately 700,000 square feet of new and expanded production, office and showroom space was added in fiscal 2001 across all of the Company's facilities. Among its investments, the Company also opened a new U.S. headquarters in New Jersey, including a modern showroom as well as marketing and design facilities. The increase in depreciation and amortization expense in fiscal 2000 over fiscal 1999 was due to the full year's impact of the amortization of goodwill related to acquisitions made during 1999 and the significantly higher level of investment in plant and equipment made in fiscal 2000.

Net interest expense declined in fiscal 2001 to $2.6 million from $3.1 million in fiscal 2000 due primarily to lower average debt levels resulting from the Company's strong cash flow during the year and lower interest rates in fiscal 2001 compared to the prior year. The increase in fiscal 2000 compared to fiscal 1999 was due to higher operating loans incurred in connection with the Company's rapid growth in 2000.

The Company's effective tax rate in fiscal 2001 declined to 29.2% from 37.2% in fiscal 2000 as a result of reduced profits in the Company's U.S. operations (where the income tax rate is higher than in other jurisdictions), lower Canadian income tax rates in the period, and the impact of international tax planning strategies instituted in the second quarter of the year. The increase in the effective tax rate in fiscal 2000 over fiscal 1999 was due to the increase in earnings from the Company's U.S. operations.

Net Earnings

Net earnings for the year ended November 30, 2001 were $35.8 million or $0.56 per share compared to $94.0 million or $1.47 per share in fiscal 2000 and $61.2 million or $0.97 per share in fiscal 1999. On a weighted average basis, there were 64.0 million shares outstanding in fiscal 2001, 63.8 million in fiscal 2000 and 63.3 million in fiscal 1999.

LIQUIDITY AND CAPITAL RESOURCES

Years ended November 30, ($000)	2001	2000	1999
Cash from operating activities	81,029	60,907	32 [illegible]
Capital expenditures	98,774	[illegible]	[illegible]
Long-term debt to equity	0.10:1	[illegible]	[illegible]

Since its initial public offering in July 1998, the Company's cash requirements have been satisfied through cash generated by operating activities and operating lines of credit. These sources of funds are expected to be sufficient to finance the expected capital needs of the Company for the foreseeable future, assuming that the Company does not make a significant acquisition. As at November 30, 2001, the Company utilized $46.2 million of its $89.3 million operating lines of credit with the majority of its credit lines bearing interest below the prime rate.

Cash from operations before changes in non-cash operating working capital declined to $66.8 million in fiscal 2001 from $113.0 million in fiscal 2000 due primarily to the significant reduction in net earnings in the year. Including the net change in non-cash operating working capital, the Company generated $81.0 million in cash from operations in fiscal 2001 compared to $60.9 million in fiscal 2000. This increase is attributable to a reduction in accounts receivable and inventories during fiscal 2001, partially offset by a use of cash to reduce accounts payable and pay income tax instalments.

Accounts receivable in fiscal 2001 decreased significantly, reflecting the reduced levels of business experienced by the Company through the last half of fiscal 2001. Days outstanding for accounts receivable were 88 as at November 30, 2001 compared to 71 at November 30, 2000. Inventories declined in fiscal 2001 to $57.8 million from $71.4 million as at November 30, 2000, due again to the decreased level of business. The number of days of production in inventory was 51 as at November 30, 2001, compared to 41 days as at November 30, 2000. Teknion will continue to closely monitor its inventory and accounts receivable levels to ensure it maximizes cash flow.

To mitigate the risk presented by foreign exchange rates, the Company enters into foreign exchange contracts from time to time to limit exposure to fluctuations in the value of the U.S. dollar. As at November 30, 2001, the Company held foreign exchange contracts maturing within nine months for the sale of U.S. $139.5 million at a weighted average rate of exchange of $1.53. (See Note 13 to annual consolidated financial statements.)

Cash generated by financing activities totaled $19.6 million in fiscal 2001 compared to $9.7 million in fiscal 2000. The increase is primarily the result of long-term debt used to finance the construction of the Company's new U.S. corporate headquarters, showroom, marketing and design center during the 2001 fiscal year, and proceeds from the issuance of subordinate voting shares upon the exercise of options pursuant to the Company's employee stock option plan.

Cash used in investing activities rose to $98.7 million in fiscal 2001 from $61.9 million in fiscal 2000 due primarily to planned capital investment and expansion projects initiated in fiscal 2000. During fiscal 2001 the Company added approximately 700,000 square feet to its production, office and showroom facilities, including its new U.S. headquarters. The Company also invested in new production equipment, software and hardware technologies. For the fiscal year ending November 30, 2002, Teknion has reviewed all potential projects and plans to spend approximately $35 million in capital investments, the bulk of which will be directed to complete projects begun in prior years.

(IN MILLIONS OF DOLLARS)

RISKS AND UNCERTAINTIES

This Annual Report and management's discussion and analysis of the financial condition and results of operations contain forward-looking statements with respect to the Company's future prospects. These statements involve certain risks and uncertainties that could cause the Company's financial results to differ materially from stated expectations. Factors that could cause actual results to differ from expectations include, but are not limited to, fluctuations in the Company's operating results due to product demand arising from competitive and general economic and business conditions in the Company's North American and international markets and operations; significant fluctuations in exchange rates for currencies in which the Company does business; the ability to maintain the proprietary nature of the Company's intellectual property in the design and manufacturing of its products; changes in the size and timing of customers' order patterns; changes in the Company's markets, including technology change, changes in customer requirements, frequent new product introductions by competitors and emerging standards; the Company's dependence on key personnel; the Company's dependence on key commitments from significant dealers and distributors; potential liabilities arising from product defects that exceed insurance coverage; and environmental matters.

NEW CICA REPORTING REQUIREMENTS

Teknion has assessed the impact of complying with the amended Canadian Institute of Chartered Accountants (CICA) section 1650 (Foreign Currency Translation), and new CICA section 3062 (Goodwill and Other Intangible Assets) and section 3870 (Stock-Based Compensation and Other Stock-Based Payments).

The Company will adopt CICA section 3062 effective the first quarter of fiscal 2002. In accordance with CICA section 3062 goodwill is not amortized, but it is assessed for impairment at least on an annual basis. Teknion has completed the transitional test for impairment of goodwill and has determined that no writedown is required. The estimated amortization of goodwill under old CICA section 3060 would have been $1.8 million for fiscal 2002.

Amended CICA section 1650 and new CICA section 3870 will be adopted effective the first quarter of fiscal 2003. CICA section 1650 was amended to eliminate the deferral and amortization of foreign exchange gains and losses on long-term monetary assets and liabilities denominated in a foreign currency. The amendment must be applied retroactively with restatement of prior periods. Teknion has determined that no adjustments are required to its financial statements for fiscal 2001 and prior years. The effect on fiscal 2002 of adopting the amendment to CICA section 1650 cannot be determined at this time. The Company does not anticipate incurring material retroactive charges to retained earnings upon adoption of new CICA section 3870.

TEKNION IS STRONGLY POSITIONED TO CAPITALIZE ON RENEWED DEMAND AS BUSINESS CONDITIONS IMPROVE

OUTLOOK

Management continues to believe that, over the long term, the worldwide business environment will increasingly require that organizations and institutions utilize costly office space more effectively and improve the working environment to increase employee productivity. The Company also believes that these factors, combined with increased commercial construction and capital spending, as well as the growing use of technology and the increasing awareness of workplace health and safety, will fuel growth in the contract office furniture industry.

While the challenging economic conditions experienced in fiscal 2001 will continue to negatively impact the contract furniture industry, as well as Teknion's financial performance over the short term, the Company remains confident that its focused growth strategies, combined with its comprehensive product lines, innovative designs and extensive dealer network, will enable the Company to capitalize on renewed demand in its markets when business conditions improve. In addition, new sales and marketing programs initiated in 2001, particularly in the U.S. markets, are broadening the Company's customer base into other industry segments, including government agencies as well as educational and financial institutions.

However, management expects that significant sales growth and improved financial performance will not occur until economic conditions in the Company's markets improve and result in customers increasing their purchases of office furniture.

The Company's strategies for future growth are to: continue to develop its sales and service initiatives to expand its presence and market share; leverage the strength and economies of scale resulting from the vertical integration and recent expansion of its manufacturing facilities and processes; maintain its focus on design and innovation to ensure it can respond quickly with new and enhanced products to meet the needs of its customers; and make prudent acquisitions that meet the Company's long-term strategic objectives.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Teknion Corporation as at November 30, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS
January 25, 2002 · Toronto, Canada

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and information included in this Annual Report have been prepared by the management of Teknion Corporation in accordance with Canadian generally accepted accounting principles, and include amounts based on management's informed judgments and estimates. Management is responsible for the integrity and objectivity of these financial statements. To fulfill this responsibility, Teknion maintains an appropriate system of internal control, policies and procedures to reasonably ensure that its reporting practices and accounting and administrative procedures provide reliable and accurate financial information, and that assets are adequately safeguarded. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

KPMG LLP, the auditors appointed by the shareholders of Teknion, have examined the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. Their report as the Company's auditors is set forth herein.

The financial statements have been further reviewed and approved by the Board of Directors and its Audit Committee. This Committee meets regularly with management and the auditors, who have full and free access to the Audit Committee.

January 25, 2002

DAVID FELDBERG
President and Chief Executive Officer

ROBERT E. BOYD
Senior Vice President, Finance and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS) – NOVEMBER 30, 2001 AND 2000

	2001	2000
ASSETS		
Current assets:		
Cash	$ 23,786	$ 21,762
Accounts receivable	147,852	222,590
Income taxes receivable	22,861	–
Inventory	57,828	71,371
Prepaid expenses and other deposits	8,121	6,696
Due from affiliated companies (NOTE 2)	1,235	1,173
Future income taxes (NOTE 3)	5,312	–
	266,995	323,592
Capital assets (NOTE 4)	217,014	141,198
Goodwill (NOTE 5)	28,931	30,742
	$ 512,940	$ 495,532
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Operating loans (NOTE 6)	$ 46,198	$ 42,675
Accounts payable and accrued liabilities	97,305	131,476
Income taxes payable	–	15,565
Current portion of long-term debt (NOTE 7)	24,055	10,106
	167,558	199,822
Long-term debt (NOTE 7)	7,541	8,019
Deferred income taxes	–	2,787
Future income taxes (NOTE 3)	15,061	–
Shareholders' equity:		
Share capital (NOTE 8)	106,680	104,153
Retained earnings	217,068	181,843
Currency translation adjustment	(968)	(1,092)
	322,780	284,904
	$ 512,940	$ 495,532

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD:

DAVID FELDBERG
Director

GEORGE S. TAYLOR
Director

CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
YEARS ENDED NOVEMBER 30, 2001 AND 2000

	2001	2000
Sales	$ 770,881	$ 917,005
Cost of sales	459,605	523,650
Gross margin	311,276	393,355
Expenses:		
Selling, general and administrative	233,375	221,695
Depreciation and amortization	24,101	19,397
	257,476	241,092
Earnings from operations	53,800	152,263
Interest expense, net (NOTE 7)	2,635	3,063
Loss (gain) on disposal of capital assets	544	(336)
Earnings before income taxes	50,621	149,536
Income taxes (recovery) (NOTE 3):		
Current	8,434	55,630
Future	6,358	–
Deferred	–	(54)
	14,792	55,576
Net earnings	$ 35,829	$ 93,960
Earnings per share (NOTE 9):		
Basic	$ 0.56	$ 1.47
Fully diluted	0.53	1.41

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(IN THOUSANDS OF DOLLARS) – YEARS ENDED NOVEMBER 30, 2001 AND 2000

	2001	2000
Retained earnings, beginning of year	$ 181,843	$ 87,883
Change in accounting policy (NOTE 1(H))	(604)	–
Net earnings	35,829	93,960
Retained earnings, end of year	$ 217,068	$ 181,843

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF DOLLARS) – YEARS ENDED NOVEMBER 30, 2001 AND 2000

	2001	2000
CASH PROVIDED BY (USED IN):		
Operations:		
Net earnings	$ 35,829	[illegible]
Items not affecting cash:		
Depreciation and amortization	24,101	[illegible]
Future and deferred income taxes	6,358	[illegible]
Loss (gain) on disposal of capital assets	544	[illegible]
	66,832	[illegible]
Change in non-cash operating working capital:		
Accounts receivable	74,738	[illegible]
Inventory	13,543	[illegible]
Prepaid expenses and other deposits	(1,425)	[illegible]
Accounts payable and accrued liabilities	(34,171)	[illegible]
Due from affiliated companies	(62)	[illegible]
Income taxes	(38,426)	[illegible]
	14,197	[illegible]
	81,029	[illegible]
Financing:		
Operating loans	3,523	[illegible]
Proceeds from long-term debt	15,208	[illegible]
Repayment of long-term debt	(2,171)	[illegible]
Issue of share capital	2,527	[illegible]
Currency translation adjustment	558	[illegible]
	19,645	[illegible]
Investments:		
Purchase of capital assets	(98,774)	[illegible]
Proceeds on disposal of capital assets	124	[illegible]
	(98,650)	[illegible]
Increase in cash	2,024	[illegible]
Cash, beginning of year	21,762	[illegible]
Cash, end of year	$ 23,786	[illegible]

See accompanying notes to consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements include the accounts of Teknion Corporation and all of its subsidiaries ("Teknion" or the "Company"). All significant inter-company transactions have been eliminated on consolidation.

(b) Revenue recognition:

Revenue from the sale of goods is recognized when title passes to customers, which is generally at the time the goods are shipped.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(d) Capital assets:

Capital assets are recorded at cost and depreciated on a declining-balance basis at the following annual rates:

Buildings	5%
Computer hardware	20%
Computer software	20%
Manufacturing equipment	10%
Office equipment	20%
Tools and dies	10%

Showrooms are depreciated on a straight-line basis over four years.

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Patents and trademarks are amortized on a straight-line basis over 10 years.

(e) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is being amortized on a straight-line basis over 20 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in values are considered to be other than temporary based upon expected cash flows of the underlying companies.

(f) Translation of foreign currency:

Foreign operations are classified as self-sustaining or integrated.

(i) Self-sustaining foreign operations:

All assets and liabilities are translated into Canadian dollars at exchange rates in effect at year end. Revenue and expenses are translated at the average rates of exchange for the year. The resulting net gains or losses are shown under currency translation adjustment in shareholders' equity.

(ii) Integrated foreign operations and accounts in foreign currencies:

Integrated foreign operations and accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, consolidated balance sheets monetary items are translated at the rates of exchange in effect at year end and non-monetary items are translated at historical exchange rates. Revenue and expenses (other than depreciation and amortization, which are translated at the same rates as the related capital assets) are translated at the rates in effect on the transaction dates or at the average rates of exchange for the year. The resulting gains or losses are included in the consolidated statements of earnings.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

(h) Change in accounting policy:

Effective December 1, 2000, the Company has adopted The Canadian Institute of Chartered Accountants new standard for accounting for income taxes. The new standard requires the use of the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax basis of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable for the year or a later period.

Future income taxes are recorded at the income tax rates which are expected to apply when the future tax liability is settled or the future income tax asset is realized. Valuation allowances are established when necessary to reduce future income tax assets to the amount expected to be realized. Income tax expense consists of the income taxes payable for the year and the change during the year in future income tax assets and liabilities.

Previously, the Company followed the tax allocation method of accounting for income taxes, which relates the provision for income taxes to the accounting income for the year. Using this method, a provision is made for the deferred income taxes applicable to timing differences arising between taxable income and income reported in the financial statements.

(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

As a result of the adoption at December 1, 2000, the future income tax liability (formerly referred to as deferred income taxes) increased by $604,000 and retained earnings decreased by the same amount. The change in accounting policy was adopted retroactively with no restatement of the prior year financial statements.

2. DUE FROM AFFILIATED COMPANIES:

Amounts are due from companies controlled or significantly influenced by the controlling shareholders and are unsecured, non-interest bearing and due on demand.

3. INCOME TAXES:

Income taxes have been determined in accordance with the legislation prevailing in Canada and the applicable foreign jurisdictions. The effective income tax rate differs from the basic Canadian combined federal and provincial tax rates as follows:

	2001	2000
Earnings before income taxes	$ 50,621	$ 149,536
Combined statutory tax rate	41.2%	43.6%
Expected provision for income taxes	$ 20,856	$ 65,198
Increase (decrease) resulting from:		
Manufacturing and processing profits deduction	(2,531)	(8,346)
International rate differences	(3,948)	(2,007)
Other differences	415	731
	$ 14,792	$ 55,576
Effective income tax rate	29.2%	37.2%

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at November 30, 2001 are presented below:

Future tax assets:	
Accounts receivable	$ 864
Accounts payable and accrued liabilities	4,448
	5,312
Future tax liabilities:	
Capital assets – differences in accounting and tax net book values	15,061
Net future tax liability	$ 9,749

The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

4. CAPITAL ASSETS:

2001	Cost	Accumulated depreciation and amortization	Net book value
Land	$ 8,624	$ –	$ 8,624
Buildings	57,741	2,753	54,988
Computer hardware	26,921	11,292	15,629
Computer software	15,021	5,996	9,025
Manufacturing equipment, office equipment and showrooms	118,456	34,726	83,730
Tools and dies	31,683	8,275	23,408
Leasehold improvements	30,983	10,985	19,998
Patents and trademarks	2,656	1,044	1,612
	$ 292,085	$ 75,071	$ 217,014

2000	Cost	Accumulated depreciation and amortization	Net book value
Land	$ 5,463	$ –	$ 5,463
Buildings	32,963	1,068	31,895
Computer hardware	18,684	7,927	10,757
Computer software	11,546	4,142	7,404
Manufacturing equipment, office equipment and showrooms	83,423	27,016	56,407
Tools and dies	23,905	6,208	17,697
Leasehold improvements	17,781	7,500	10,281
Patents and trademarks	2,109	815	1,29[illegible]
	$ 195,874	$ 54,676	$ 141,198

5. GOODWILL:

2001	Cost	Accumulated amortization	Net book value
Goodwill	$ 34,374	$ 5,443	$ 28,931

2000	Cost	Accumulated amortization	Net book value
Goodwill	$ 34,374	$ 3,632	$ 30,742

(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

6. OPERATING LOANS:

At November 30, 2001, Teknion had available operating lines of credit of up to $89.3 million (2000 – $89.3 million), of which $80.7 million (2000 – $80.4 million) is unsecured. Borrowings under these lines of credit bear interest at varying rates ranging from the banks' prime rate plus or minus 1.5% per annum. Certain subsidiaries of the Company have entered into general security agreements and undertaken an assignment of certain assets to secure bank borrowings.

7. LONG-TERM DEBT:

	2001	2000
U.S. $14.4 million (2000 – U.S. $5.2 million) construction term loan, bearing interest at prime minus 0.75%, secured by a first mortgage lien on real estate of the Company's New Jersey, U.S. subsidiary, due October 2002	$ 22,648	$ 7,940
U.S. $2.6 million (2000 – U.S. $3.0 million) 1998 industrial revenue bonds, bearing interest at the variable seven-day market rate plus 1.5%, principal repayments made monthly to March 1, 2018, secured by a second mortgage on real estate and a charge over book debts of the Company's Minnesota, U.S. subsidiary	4,144	4,562
7.4 million (2000 – 5.9 million) Malaysian ringgit term loan, bearing interest at rates between prime and at prime plus 1.25%, payable in monthly instalments of 0.10 million Malaysian ringgit, secured by a charge over land, buildings and all assets of the Company's Malaysian subsidiary, due April 2008	3,118	2,397
Various loans with blended monthly repayments, bearing interest at various rates to a maximum of 8.1%, due at various dates to 2008	1,686	3,226
	31,596	18,125
Less current portion	24,055	10,106
	$ 7,541	$ 8,019

Annual principal repayments on long-term debt are due as follows:

2002	$ 24,055
2003	2,188
2004	1,328
2005	1,223
2006	888
Thereafter	1,914
	$ 31,596

Interest expensed on long-term debt was $1,361,000 in 2001 (2000 – $1,170,000).

8. SHARE CAPITAL:

	2001	2000
Authorized:		
Unlimited Class A preference shares, non-voting		
Unlimited Class B preference shares, non-voting		
40,093,846 multiple voting shares (2000 – 44,847,515)		
Unlimited subordinate voting shares		
Issued:		
40,093,846 multiple voting shares (2000 – 44,847,515)	$ 5,073	$ 5,674
23,973,610 subordinate voting shares (2000 – 18,985,391)	101,607	98,479
	$ 106,680	$ 104,153

(a) Class A and Class B preference shares:

Class A and Class B preference shares are issuable in series, with other attributes to be determined at the time of issuance. The Class A preference shares will rank prior to the Class B preference shares and both will rank prior to the multiple voting shares and subordinate voting shares as to dividends and as to distributions in the event of liquidation, dissolution or winding up of the Company.

(b) Multiple voting shares and subordinate voting shares:

During fiscal 2001, certain shareholders converted 4,753,669 multiple voting shares on a one-for-one basis to subordinate voting shares. In fiscal 2001, 234,550 subordinate voting shares (2000 – 83,220) were issued for cash consideration of $2,527,000 (2000 – $1,041,000) on the exercise of stock options.

The multiple and subordinate voting shares rank equally with each other on a share-for-share basis as to dividends and as to distributions in the event of liquidation, dissolution or winding up of the Company. The multiple voting shares carry 10 votes per share and are convertible into subordinate voting shares on a one-for-one basis at the option of the holder. The subordinate voting shares carry one vote per share.

(c) Share option plans:

The Company has two stock option plans for directors, officers, employees and affiliates of the Company. The stock option plans are administered by a committee of the Board of Directors of the Company. The maximum aggregate number of subordinate voting shares which may be issued to eligible persons pursuant to the stock option plans is 6,264,490. No compensation expense is recognized when shares or options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. If shares or stock options are repurchased from employees, the excess of consideration paid over the carrying amount of the share or stock option cancelled is charged to retained earnings.

The limited purpose stock option plan was established at the time of the initial public offering in July 1998 for existing employees of the Company. Each eligible employee was entitled to options to purchase 100 subordinate voting shares at an exercise price of $12.50 per share. These options vested six months after the date of grant and are exercisable for a period of four years from the date of grant. The maximum number of subordinate voting shares which may be issued to eligible employees pursuant to the limited purpose stock option plan is 192,300.

The general stock option plan is for employees, officers, directors and affiliates of the Company. The option exercise price cannot be less than the market price at issue of the subordinate voting shares on any stock exchange on which the subordinate voting shares are listed. The options have a maximum term of 10 years and are non-assignable, except in certain limited circumstances. The vesting periods of options granted under the general stock option plan range from four to five years as determined by a committee of the Board of Directors of the Company at the time the options are granted. The Board of Directors of the Company may, from time to time, amend or revise the terms of the general stock option plan, subject to applicable law and the rules of any stock exchange on which the subordinate voting shares are listed, or may discontinue the general stock option plan at any time. The maximum number of subordinate voting shares which may be issued pursuant to the general stock option plan is 6,072,190 subordinate voting shares.

The following is a summary of the number of subordinate voting shares issuable pursuant to outstanding stock options:

	2001		[illegible]	
	Number of shares	Weighted average price	Number of shares	Weighted average price
Options outstanding, beginning of year	2,894,580	$ 11.27	1,833,300	$ 12.53
Exercise of options	(234,550)	10.77	(83,220)	12.50
Options cancelled	(286,485)	11.45	–	–
Grant of additional options	941,500	13.98	1,144,500	9.17
Options outstanding, end of year	3,315,045	12.06	2,894,580	11.27

	2001	20[illegible]
Weighted average subscription price of outstanding options	$ 12.06	[illegible]
Number of options exercisable (vested) at November 30	978,664	746,555
Weighted average subscription price of outstanding exercisable options	$ 12.09	$ 12.62

The range of subscription prices for options granted were as follows:

	2001		2000	
	High	Low	High	Low
Grant of options	$ 21.20	$ 9.50	$ 18.40	$ 9.00
Exercise of options	21.25	10.50	19.71	17.77

(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

	Total options outstanding			Total options exercisable	
Range of exercise prices	Number outstanding, November 30, 2001	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable, November 30, 2001	Weighted average exercise price
$ 9.00–$12.50	2,303,045	6.11	$ 11.21	923,664	$ 11.98
$12.51–$16.00	970,000	9.12	13.76	54,500	13.85
$16.01–$21.20	42,000	9.11	19.32	500	18.40
	3,315,045	7.03	12.06	978,664	12.09

9. EARNINGS PER SHARE:

(a) Basic earnings per share:

Basic earnings per share have been calculated using the weighted average number of subordinate and multiple voting shares outstanding during the year. There were 64,000,000 basic weighted average shares outstanding at November 30, 2001 (2000 – 63,768,000).

(b) Fully diluted earnings per share (imputed earnings method):

Fully diluted earnings per share are calculated as if all stock options were exercised at the beginning of the year. There were 67,074,000 fully diluted weighted average shares outstanding at November 30, 2001 (2000 – 66,558,000).

10. COMMITMENTS:

The minimum annual lease payments under long-term operating leases for premises and equipment for the next five fiscal years and thereafter are as follows:

2002	$ 15,671
2003	15,398
2004	14,699
2005	13,562
2006	11,621
Thereafter	23,190
	$ 94,141

11. RELATED PARTY TRANSACTIONS:

Substantially all related party transactions occurred with an indirect shareholder, Global Upholstery Co. Limited ("Global"), and entities controlled or significantly influenced by Global.

Transactions between the Company and Global occur at prices that are in accordance with written agreements between the Company and Global. Management believes that the prices at which transactions are conducted with Global are competitive with prices for comparable arms-length transactions. The Corporate Governance Committee has the responsibility for and has been reviewing, monitoring and establishing all policies for related party transactions.

Related party amounts included in accounts receivable and accounts payable and accrued liabilities are as follows:

	2001	2000
Accounts receivable	$ 11,902	$ 15,612
Accounts payable and accrued liabilities	14,593	20,039

Transactions with related parties are as follows:

	2001	2000
Sales	$ 21,765	$ 32,124
Purchases	93,017	105,265
Other	6,936	4,832

12. SEGMENTED INFORMATION:

Industry:

The Company is considered to operate in one operating segment, that being the design, manufacture and marketing of office systems and related office furniture products.

Geographic:

	2001	2000
Sales (based on location of customer):		
Canada	$ 236,861	$ 203,591
United States	466,484	636,924
International	67,536	76,490
	$ 770,881	$ 917,005
Total assets:		
Canada	$ 259,307	$ 234,899
United States	183,976	205,660
International	69,657	54,973
	$ 512,940	$ 495,532
Capital assets:		
Canada	$ 141,449	$ 93,081
United States	56,116	35,264
International	19,449	12,853
	$ 217,014	$ 141,198
Goodwill:		
Canada	$ 10,124	$ 10,790
United States	18,807	19,952
	$ 28,931	$ 30,742

(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

13. FINANCIAL INSTRUMENTS:

Teknion operates internationally, which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign exchange rates. Foreign exchange contracts are used by the Company to manage foreign exchange risk. The Company does not enter into foreign exchange contracts for speculative purposes.

(a) Foreign exchange contracts:

Teknion enters into foreign exchange contracts to limit its exposure to foreign exchange fluctuations on future revenue and expenditure streams. At November 30, 2001, the Company had outstanding foreign exchange contracts representing a commitment to sell approximately U.S. $139.5 million at average rates of exchange of $1.53 (2000 – U.S. $244.5 million at $1.48). The fair value of these contracts was $5.9 million in favor of the counterparties at November 30, 2001 (2000 – $9.5 million in favor of the counterparties). These contracts mature within nine months (2000 – 13 months).

(b) Fair values of other financial instruments:

Teknion has evaluated the fair values of its other financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying amounts of cash, accounts receivable, due from affiliated companies, operating loans, accounts payable and accrued liabilities and long-term debt are considered to approximate fair values.

(c) Credit risk:

The Company, in the normal course of business, is exposed to credit risk from its customers. In addition, Teknion is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company controls this credit risk by dealing with counterparties that are major financial institutions and which the Company anticipates will satisfy their obligations under the contracts.

14. SUPPLEMENTAL CASH FLOW INFORMATION:

	2001	2000
Income taxes paid	$ 46,860	$ 43,807
Interest paid	4,207	3,975
Interest received	1,487	912

LISTING OF POSITIONS AND TITLES

BOARD OF DIRECTORS

Governor James J. Blanchard
Partner
Verner, Liipfert, Bernhard, McPherson and Hand, Chartered

Jeffrey M. Blidner
Vice-Chairman
Trilon Financial Corporation

David Feldberg
President and Chief Executive Officer
Teknion Corporation

Saul Feldberg
Chairman
Global Upholstery Co. Limited

Allen Karp
Chairman, President and Chief Executive Officer
Cineplex Odeon Corporation

Stephen M. Miner
President and Chief Executive Officer
Teknion LLC

Christi L. Strauss
President
General Mills Canada Corporation

George S. Taylor
Consultant

TEKNION CORPORATION

David Feldberg
President and Chief Executive Officer

Stephen M. Miner
Executive Vice President

Frank Delfino
Senior Vice President

Robert E. Boyd
Senior Vice President, Finance, Chief Financial Officer and Secretary

Jeff Wilson
Senior Vice President, Manufacturing and Supply Chain Management

Allan Bartolini
Vice President, Human Resources and Development

John Comacchio
Chief Information Officer

TEKNION FURNITURE SYSTEMS CO. LIMITED

Frank Delfino
President, Canadian and International Markets

Gordon Carvelho
Vice President, Customer Relations and Operational Services

Terry K. Holland
Vice President, Marketing and Sales, Canada

Sholem Prasow
Vice President, Corporate Business Development and Strategic Planning

Arnie Rusinek
Vice President, International Operations

TK CANADA LIMITED

Sharon Breuer
Vice President, Finance and Administration

John Hellwig
Vice President, Design, Development and Innovation

Sergio Sottile
Vice President, Manufacturing

TEKNION LLC

Stephen M. Miner
President and Chief Executive Officer

Brian J. Schatzinger
Executive Vice President

Alan F. Howard
Executive Vice President, Sales

Robert F. Henry
Senior Vice President, Finance and Administration

Sheryl Silverman
Senior Vice President, Operations

Jeffrey M. Kraus
Vice President, Sales Administration

Peter W. Guth
Vice President, Dealer Distribution

Bill Flanders
Vice President, Information Systems

TEKNION QUEBEC

Martin Chouinard
President

TEKNION (ALBERTA) LTD.

Myron Heppner
General Manager

TEKNION EUROPE LIMITED

Andrew Starbuck
Managing Director

TEKNION FURNITURE SYSTEMS (MALAYSIA) SDN. BHD.

Kulen Suntharalingam
Managing Director

LEIF JACOBSEN

Harry Toledano
Vice President and General Manager

HALCON CORPORATION

Peter Conway
President and Chief Executive Officer

[illegible]

Alain Roy
President

Martin Chouinard
Executive Vice President

FILECO

Scott Deugo
General Manager

[illegible]

Ken Brown
General Manager

[illegible]

ESMOND MANUFACTURING

Hanna Shaheen
President

TEKROLL FORM[illegible]

Armin Schabel
President

STAMPCO MANUFACTURING

Alex Ribeiro
President

CORPORATE INFORMATION

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STOCK LISTING
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Ticker Symbol: TKN

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Toronto, Ontario

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Press releases and other general information about the Company are available on the World Wide Web at www.teknion.com

ANNUAL MEETING
May 15, 2002
10:00 a.m. (Toronto time)
Design Exchange
Trading Floor
234 Bay Street
Toronto Dominion Centre
Toronto, Ontario
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Design helps to shape our world

Design embodies much more than simply creating pleasing shapes, textures and colors. Great design creates strong impressions, captures the spirit of organizations, inspires communication and activity, and encourages and facilitates change. At its most fundamental, design gives us the tools to be more successful.

At Teknion, our goal is to enable our clients to incorporate great design into their success. We take pride in an approach that emphasizes agility, responsiveness, innovation and a willingness to take necessary risks. We go further to satisfy our customers and the result has been by far the most impressive growth rate in the industry.

Product Innovations – 2001

In 2001 Teknion introduced more new products than in any other year in its history, adding significantly to the breadth and depth of its comprehensive offering while extending the ability to connect technology to the workplace wherever and whenever it is required.

XM FURNITURE COLLECTION

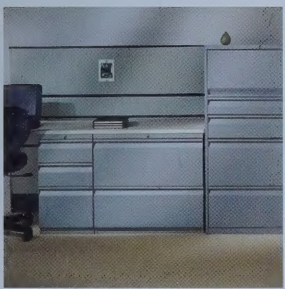
Rational in concept, elegant in form, xm is a forward-looking response to the new ways that people work. xm is furniture that acts like architecture to define space, to bring order and clarity to complex work environments. At the same time, xm adapts readily to the ever-evolving work practices of the highly interconnected office. xm is ideal for dynamic companies where change must be addressed, but where simplicity and elegance, integrity and excellence have merit. xm can be used in a variety of planning scenarios, including freestanding, cluster and private office applications.

OUTPOST POWER COLUMN

Outpost is a high-capacity power, communications and lighting column that connects individuals and teams to technology in the contemporary office. The floor-to-ceiling column provides easy access to power and data where it is needed, from the floor up or from the ceiling down. Outpost is a multi-functional family of products within the Ability® line that enhances the mobility of Ability furniture. As an architectural product, the Outpost Column defines space in an open plan, and as a zone of technical support delivers power and data connections to any individual or interactive work area.

VOLO AMBIENT LIGHT

Volo is an energy-efficient, panel-mounted light providing glare-free, ambient workspace illumination. In a simple, functional form, Volo meets the need for superior lighting essential to workspace comfort and productivity. Mounted on top of a workstation panel, single- and double-sail fixtures reflect light and diffuse it evenly and effectively throughout a user's environment. The sail feature provides greater control of lighting intensity and throw while reducing glare. The double-sided option allows individuals in two adjacent workstations to share a single fixture yet control their own lighting preferences.



LEDGER STORAGE SYSTEM
Today's dynamic office requires storage for the new ways in which people access, store and maintain a variety of business tools and materials. Ledger is a versatile system of standalone storage products designed to meet the broad range of storage needs required for today's complex work environment. Ledger products are available pre-configured or as a build-up – allowing users to customize and specify interior modules to meet specific needs. Products are available in a wide variety of case heights and depths, colors, finishes and drawer sizes to provide the widest possible array of options.

EXPANSION CONFERENCING MOBILE FURNITURE
Expansion Conferencing is a line of freestanding and mobile furniture designed to facilitate the collaboration process and to support the technological tools that have become a part of daily meetings and presentations. In addition to multiple options in conference and meeting tables, Expansion Conferencing includes video cabinets, mobile storage units and bookcases, and mobile or wall-mounted display boards and whiteboards. It is a complete and highly versatile line designed to create flexible and effective conference, learning and training environments, as well as casual team gathering areas.

ROUTES ACCESS FLOOR
Routes access floor supports the constant change of today's technology-based work environments by horizontally distributing power and communications cabling throughout the workspace. Routes works in conjunction with other Teknion products – the Altos™ architectural wall system, Ability mobile furniture, the new Outpost power column, and Teknion's panel-based office furniture systems – to deliver power and communications exactly where users require them. Flooring supports adjust in height from 2½ to 18 inches. Power, voice and data outlets are easily accessed via unobtrusive outlets that lie flush with the floor.

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Teknion

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